

## Message Text

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PAGE 01 STATE 280011  
ORIGIN L-03

INFO OCT-01 EUR-12 ISO-00 TRSE-00 EB-08 ( ISO ) R

DRAFTED BY L/T:POLSON/TRSY:MFIELD

APPROVED BY L/T:AWROVINE

TRSY:CIKINGSON

TRSY:HDROSENBLUM

TRSY:THORST

TRSY:LNWOODWORTH

EUR/WE:EJBEIGEL

EB/IFD/OMA:TFORBORD

-----092863 231520Z /13

R 222248Z NOV 77

FM SECSTATE WASHDC

TO AMEMBASSY PARIS

UNCLAS STATE 280011

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: TAX NEGOTIATION: NOTE REGARDING AVOIR FISCAL

1. EMBASSY IS REQUESTED TO SEND FIRST PERSON NOTE (TEXT BELOW) TO FONMIN. TREASURY WISHES MATTER CONSIDERED BY FONMIN WELL BEFORE DECEMBER 2 DEPARTURE OF FRENCH TAX NEGOTIATION TEAM, SO NOTE SHOULD BE DELIVERED ASAP.

2. TEXT OF NOTE FOLLOWS:

-----I HAVE THE HONOR TO REFER TO RECENT DISCUSSIONS BETWEEN REPRESENTATIVES OF OUR TWO GOVERNMENTS CONCERNING POSSIBLE AMENDMENTS TO THE CONVENTION BETWEEN THE UNITED STATES OF AMERICA AND THE FRENCH REPUBLIC WITH RESPECT TO TAXES ON INCOME AND PROPERTY, WHICH ENTERED INTO FORCE ON JULY 11, 1968.

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-----ONE OF THE ISSUES IN THE DISCUSSIONS CONCERNS THE TAX CREDIT ("AVOIR FISCAL") CORRESPONDING TO A PORTION OF THE FRENCH CORPORATE TAX, WHICH IS GRANTED TO ALL RESIDENT SHAREHOLDERS IN FRENCH CORPORATIONS. UNDER THE TERMS OF THE 1970 PROTOCOL TO THE ABOVE-MENTIONED CONVENTION THE CREDIT IS ALSO AVAILABLE TO U.S. RESIDENTS WHO ARE SHAREHOLDERS IN FRENCH CORPORATIONS, IF THEY HOLD PORTFOLIO

INTERESTS OF LESS THAN TEN PERCENT OF THE OUTSTANDING SHARES. THE U.S. POSITION IN THE CURRENT NEGOTIATIONS IS

TO REQUEST THAT THE CREDIT ALSO BE EXTENDED TO U.S. DIRECT INVESTORS IN FRENCH CORPORATIONS, AT ONE-HALF THE ORDINARY RATE. SUCH AN AGREEMENT WOULD MITIGATE THE EXISTING DISCRIMINATION BETWEEN AMERICAN- AND FRENCH-OWNED FRENCH CORPORATIONS.

-----THE UNITED STATES ATTACHES GREAT IMPORTANCE TO NONDISCRIMINATORY TREATMENT OF U.S. INVESTORS BY OTHER GOVERNMENTS AND IS TAKING THE SAME POSITION ON THIS ISSUE IN ALL ITS TAX TREATY NEGOTIATIONS. MINDFUL OF REVENUE CONSIDERATIONS, THE UNITED STATES IS ASKING ONLY FOR ONE HALF THE ORDINARY CREDIT IN THE CASE OF DIRECT INVESTORS. AT THAT RATE, THE BENEFITS OF THE REDUCED FRENCH TAX WOULD GO TO THE INVESTORS AND NOT TO THE UNITED STATES TREASURY. WE WOULD CONSIDER EXTENSION OF ONE HALF THE AVOIR FISCAL TO U.S. PARENT CORPORATIONS TO REMOVE THE EXISTING DISCRIMINATION AGAINST U.S. INVESTORS, AND BELIEVE THAT THE INCREASED ATTRACTIVENESS OF FRENCH INVESTMENT IS NOT CONTRARY TO THE INTEREST OF FRANCE.

-----I RESPECTFULLY REQUEST THAT THE FRENCH GOVERNMENT GIVE THIS ISSUE THE MOST SERIOUS CONSIDERATION, SO THAT THE DISCUSSIONS NOW UNDERWAY BETWEEN OFFICIALS OF THE FINANCE MINISTRY AND THE DEPARTMENT OF THE TREASURY CAN MOVE AHEAD TO THE CONCLUSION OF A PROTOCOL WHICH WILL SATISFACTORILY

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RESOLVE THIS AND THE OTHER QUESTIONS WHICH HAVE ARisen IN THE CONTEXT OF OUR TREATY TO AVOID DOUBLE TAXATION.

-----COMPLIMENTARY CLOSE). HABIB

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NEGOTIATIONS, TAX AGREEMENTS, INTERGOVERNMENTAL COOPERATION  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
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**Executive Order:** N/A  
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**Previous Handling Restrictions:** n/a  
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**Review Exemptions:** n/a  
**Review Media Identifier:**  
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**Review Release Event:** n/a  
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**Subject:** TAX NEGOTIATION: NOTE REGARDING AVOIR FISCAL  
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**To:** PARIS  
**Type:** TE  
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**Review Markings:**  
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